

**Charter School Facilities Program
Proposition 51 Funding Round
Staff Summary Report – January 2018**

Applicant/Obligor:	Leadership Public Schools
Project School:	LPS Oakland R & D Campus
CDS (County – District – School) Code:	01-61259-0126748
School Address/Proposed Site:	8601 MacArthur Blvd. Bldg., 100, Oakland, 94605-4037
Type of Project:	New Construction/Rehabilitation
Type of Apportionment:	Preliminary Apportionment
County:	Alameda
District in which Project is Located:	Oakland Unified School District
Charter Authorizer:	Oakland Unified School District
Total OPSC Project Cost:*	\$27,366,115 (New Construction) \$2,625,806 (Rehabilitation) \$29,991,921 (Total)
State Apportionment (50% Project Cost):	\$13,683,057 (New Construction) \$1,312,903 (Rehabilitation) \$14,995,960 (Total)
Lump Sum Contribution:	N/A
Total CSFP Financed Amount:	\$13,683,057 (New Construction) \$1,312,903 (Rehabilitation) \$14,995,960 (Total)
Length of CSFP Funding Agreement:	30 years
Assumed Interest Rate:	3.00%
Estimated Annual CSFP Payment:	\$698,099 (New Construction) \$66,983 (Rehabilitation) \$724,740 (Total)
First Year of Occupancy of New Project:	2020-21

**The amount identified as total project costs represents an estimate provided by the Office of Public School Construction for purposes of Preliminary-Apportionment financial soundness review. Final project costs will be provided at the time of Final Apportionment.*

Staff recommends that the California School Finance Authority (“Authority” or “CSFA”) Board determine that Leadership Public Schools (“CMO” or “LPS”) on behalf of LPS Oakland R & D Campus (“School” or “LPS Oakland”) is financially sound for the purposes of Charter School Facilities Program (“Program” or “CSFP”) Preliminary/Advance Apportionment. This recommendation, as it relates to Advance Apportionment. This determination as it relates to Preliminary/Advance Apportionment is in place for twelve

months and assumes no financial, operational, or legal material findings within this time period. This recommendation is contingent upon Leadership Public Schools, on behalf of LPS Oakland R & D Campus, electing to have its CSFP payments intercepted at the state-level, pursuant to Sections 17199.4 and 17078.57(a)(1)(A) of the Education Code. Staff recommends that the Authority Board direct staff to notify the Office of Public School Construction (“OPSC”) and the State Allocation Board regarding this determination.

Application Highlights: Below staff has highlighted key criteria that were evaluated when conducting its financial soundness review of LPS on behalf of Oakland. Detailed information is contained in the body of the report.

Criteria	Comments
<i>Obligor Information</i>	
Demographic Information	LPS currently serves 1,553 students in grades 9-12. Enrollment in 2018-19 is expected to be 1,676 students. ADA rates are projected to be 94.4%, which staff find reasonable.
Debt Service Coverage	Leadership Public Schools’ DSC is 169.1% and 154.7% for 2020-21 and 2021-22 respectively. Staff’s determination includes the 1 additional CSFP projects mentioned in <i>Long-Term Liabilities</i> section.
Other Financial Factors	<ul style="list-style-type: none"> Leadership Public Schools’ operating fund has a projected balance of \$9,322,128 as of the end of 2017-18. Leadership Public Schools’ expected annual total of CSFP payments of \$1,489,823 is only 5% of projected operating revenue on average for 2020-21 and 2021-22.
<i>School Information</i>	
Eligibility Criteria	LPS Oakland R & D Campus has met all eligibility criteria: (1) LPS Oakland R & D Campus began operation in 2012; (2) LPS Oakland R & D Campus’s charter was approved in January 2017 and is in place through June 2022; (3) LPS Oakland R & D Campus is in good standing with its chartering authority, and in compliance with the terms of its charter.
Student Performance	LPS Oakland has performed comparably or better than its authorizing district and local public high schools.
Demographic Information	LPS Oakland currently serves 433 students in grades 9-12. Enrollment in 2018-19 is expected to be 517 students. ADA rates are projected to be 93.0%, which staff find reasonable. 32.9% of the student body are English Language Learners. 90.9% qualify for Free and Reduced Price Meals.

Program Eligibility: On October 6, 2017, at CSFA staff’s request, verification was received from Oakland Unified School District confirming that LPS Oakland R & D Campus (1) in compliance with the terms of its charter agreements, and (3) in good standing with its chartering authority. Oakland’s current charter is effective through June 2022.

Legal Status Questionnaire: Staff reviewed the applicant's responses to the questions contained in the Legal Status portion of the application. No information was disclosed that would lead staff to question the financial or legal integrity of this applicant.

Project Description: LPS Oakland R&D proposes to rehab existing Oakland Unified School District facilities at Castlemont High School, located at 8601 MacArthur Blvd, Oakland 94605. The existing facilities to be renovated are the three portables adjacent to the athletic field identified as P-1, P-2 and P-3 on the attached site map. These portables include approximately 160sf of toilet space and 3,200sf of non-toilet area. LPS plans to demo these existing portables and replace the existing square footage with new construction facilities. These new facilities will be incorporated into a larger New Construction design funded by LPS' joint New Construction Prop 51 Application.

The joint New Construction application will fund the bulk of the new construction facility. The new facility will include a minimum of 23 classrooms. The program of the new facility may include: 18 standard classrooms, 3 science labs, 1 art room, 1-2 RSP classrooms, Early College Center, College Resources and Media Center, Flex space/meeting space, teacher workroom/ copy room, administration space, boys and girls bathrooms, unisex bathroom, staff bathrooms, elevator, storage, MEP/utility room and server room, janitor's closets and exterior courtyard space to serve 600 LPS students at full enrollment.

Obligor Organizational Information: LPS was founded in 2002 by the first CEO, Mark Kushner, supported by Board Chair, Scott Pearson. With strong backing by New Schools Venture Fund, it was one of the early charters in California. The founding mission of LPS was to provide high-quality college-prep education in underserved communities with the aim of preparing students to return as leaders to those communities. Student leadership was a strong component of the initial model, drawing on the successful practices of Leadership High School in San Francisco (unaffiliated with LPS) where Mark Kushner had been the founding principal. Five schools were opened over the next four years in Richmond, San Jose, Hayward, Oakland and Campbell.

The 2017-18 KIPP Bay Area Schools board consists of Chair Luis Chavez; Vice Chair Yolanda Peeks; Treasurer Kevin Katari; Secretary Amy Slater; Prasad Ram; Chuck Bowes; Brigitte Lowe; David Schiffman; Christopher Whitmore; Kelley Gulley; Jesuscita Fishel; Lynne Dantzker; Parent Representative Tana Monteiro, and Brentt Brown. Dr. Louise Bay Waters is the Chief Executive Officer, and Soo Zee Park is the Chief Business Officer. Staff has reviewed the credentials of the key board members and staff and determined them to have the proper background and experience to govern and effectively oversee the operations of the CMO.

School Organizational Information:

LPS Oakland is a public charter school located within the boundaries of the Oakland Unified School District and is authorized by the Oakland Unified School District. Achieve Academy's most recent charter was approved by the Oakland Unified School District on July 1 2016 and is active through June 30 2021. The school is a direct-funded independent charter school and is operated by a California public benefit corporation with IRS approved 501(c)(3) status, Education for Change

Oakland uses LPS Core Curriculum is referred to as the LPS Common Spine. The LPS Common Spine contains a curated collection of resources and materials by course area. All LPS Common Spine resources are digital and stored online with many already in Gooru or transitioning to that platform. Student-facing resources are incorporated in Google Docs, Gooru, or other formats. In addition, the LPS Common Spine includes teacher resources such as unit and lesson plans that are curated in Google Docs. The Common Spine includes three Core Curriculum Content: **Scope and Sequence**: the agreed-upon standards (CCSS, NGSS, C3), topics and instructional pace for each course – tightly defined in some cases (math & ELA) and more loosely in others (Spanish); **Core Content Resources**: the online textbooks (e.g Springboard, EngageNY) and other key pieces of shared content that is sometimes incorporated into Gooru; and **Applied Learning**: curriculum embedded activities that extend learning and develop both critical thinking and college-readiness skills aligned to the LPS Graduate Profile– science labs, projects, Socratic Seminars, debates, etc. The Common Spine also includes three Common Assessments: **Performance Assessments**: A range of performance tasks and critical thinking measures that are aligned to the Graduate Profile and THINK Learning Map are under development in partnership with SCALE and Envision Learning Partners; **Interim/Unit Level Assessments**: the number of common, collaboratively developed assessments varies from course to course; **Formative Assessments**: daily assessments to be scored and used by teachers within their own classes which includes real-time formative assessments using ExitTicket – a just-in-time data application and Crowd-Source Grading - a rubric scoring tool that allows for self, teacher and peer scoring of essays, projects and exhibitions.

LPS Oakland partnered with Merritt Community College to ensure that every single student has the opportunity to take a college-level course and graduate with credit. This successful LPS-Merritt program pairs students in an online Merritt course with a dedicated LPS teacher to help them navigate rigorous academic materials and learn college routines and language. LPS students are held to the same expectations as traditional Merritt students but have in-school support to guide them towards more independent learning. The results? All but three students in last year's graduating class received community college credit. 90% passed two or more UC/CSU transfer courses. 7% earned more than a semester of credit.

LPS Oakland is governed by KBAS's board as listed in the section above. Laura Hayes is the current principal. Staff has reviewed the credentials of the key board members and staff and determined them to have the proper background and experience to govern and effectively oversee the operations of the School.

School Academic Performance: The following tables represent the 2014-15, 2015-16 and 2016-17 academic performance of LPS Oakland, combined averages of Castlemont High and Oakland Unity High (Local Schools), and Oakland Unified (OUSD). The results are provided through CDE's CAASPP Smarter Balanced testing data. Please note there is not a "All Student Performance" measure for high schools.

English Language Arts – Comparison

	Years		
	2014-15	2015-16	2016-17
Oakland	60%	68%	62%
Local Schools	49%	36%	33%
OUSD	29%	30%	32%

Mathematics– Comparison

	Years		
	2014-15	2015-16	2016-17
Oakland	19%	22%	27%
Local Schools	24%	19%	14%
OUSD	23%	25%	26%

Enrollment Trends and Projections: The tables below present enrollment information for LPS and Oakland from 2013-14 through 2023-24. The assumptions made in the projected years are considered reasonable by staff and consistent based on historical data.

District-wide Student Enrollment and Average Daily Attendance

<u>LPS</u>	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Enrollment	1,553	1,508	1,580	1,479	1,553	1,676	1,870	2,057	2,216
ADA	94.4%	95.0%	94.9%	94.1%	94.5%	94.4%	94.4%	94.4%	94.4%

School Student Enrollment and Average Daily Attendance

<u>Oakland</u>	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Enrollment	303	292	337	353	433	517	561	590	600
ADA	89.4%	92.8%	90.5%	91.3%	93.1%	93.0%	92.9%	92.9%	93.0%

District Financial Analysis:

Financial Data Sources: This financial analysis is based on the consideration and review of the following for LPS, the financial obligor and Applicant, on behalf of Oakland: (1) audited financial statements for 2013-14 through 2016-17; (2) adopted budget for 2017-18; and (4) budget projections for 2018-19 through 2023-24 along with assumptions.

Assumptions: LPS's financial projections are based upon the following assumptions: (1) occupancy of the rehabilitation project in 2021-22; (2) CMO-wide enrollment projections as

provided above under “Enrollment Trends and Projections”; (3) Projected CMO-wide ADA rates of at least 94%, which are consistent with historical performance; (4) Local Control Funding Formula (LCFF) per-ADA funding rate of \$11,956 for 2017-18; and (5) Increased salary growth of 2-3% annually.

Long Term Liabilities: On July 11, 2010, 28000 Calaroga LLC (a related party to LPS) obtained replacement financing related to facilities at one school site located in Hayward, California. Monthly payments, including interest at 5.25 percent, are currently \$11,219 and the loan matures in July 2018. The Richmond campus began payments on a loan agreement under the Charter School Facilities Program for its local match in the amount of \$3,000,000. Payments are semi-annually in a total amount of \$144,879 with an interest rate of 2%. The loan term is 29.16 years. The loan is secured by the facility in that title of the building of the District and it could be reclaimed if LPS defaulted on the agreement. The Hayward charter school entered into an unsecured loan agreement with 28000 Calaroga LLC in the amount of \$500,000. Payments are monthly in the amount of \$8,763 with an interest rate of 2%. The loan term is 5 years and matures in August 2019.

Private Contributions: LPS projects private contributions that average about \$1,115,551 from 2017-18 and 2021-22 and averages 4.5% of operating revenues over the same time which is below the program threshold of 15%.

Benchmark Summary and Analysis: The following table and summary listing sets forth the results of staff's analysis regarding LPS's financial soundness. Where a threshold has been established based on industry standards or practice, the listing indicates whether or not the threshold was met.

OPERATIONAL, FINANCIAL & STUDENT PERFORMANCE METRICS									
	Actual FY 2014	Actual FY 2015	Actual FY 2016	Actual FY 2017	Projected FY 2018	Projected FY 2019	Projected FY 2020	Projected FY 2021	Projected FY 2022
OPERATIONAL & FINANCIAL									
Enrollment	1,553	1,508	1,580	1,479	1,553	1,676	1,870	2,057	2,216
Average Daily Attendance (ADA)	1,466	1,432	1,500	1,391	1,467	1,582	1,765	1,942	2,093
Average Daily Attendance (%)	94.4%	95.0%	94.9%	94.1%	94.5%	94.4%	94.4%	94.4%	94.4%
LCFF Sources/ADA	\$ 7,582	\$ 8,703	\$ 9,968	\$ 10,516	\$ 11,956	\$ 12,110	\$ 12,349	\$ 12,891	\$ 12,980
% Change		14.8%	14.5%	5.5%	13.7%	1.3%	2.0%	4.4%	0.7%
Operating Revenues/ADA	\$ 10,846	\$ 11,691	\$ 13,167	\$ 13,827	\$ 13,891	\$ 14,103	\$ 14,125	\$ 14,589	\$ 14,623
% Change		7.8%	12.6%	5.0%	0.5%	1.5%	0.2%	3.3%	0.2%
Operating Expenses plus CSFP Lease/ADA	\$ 10,967	\$ 10,846	\$ 12,392	\$ 14,685	\$ 14,411	\$ 14,199	\$ 14,374	\$ 14,557	\$ 14,615
% Change		-1.1%	14.3%	18.5%	-1.9%	-1.5%	1.2%	1.3%	0.4%
Free Cash Flow/ADA	\$ (121)	\$ 846	\$ 775	\$ (859)	\$ (520)	\$ (96)	\$ (249)	\$ 31	\$ 7

Item 4(M) – CSFP Staff Summary
Leadership Public Schools on behalf of LPS Oakland R & D Campus
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	Actual FY 2014	Actual FY 2015	Actual FY 2016	Actual FY 2017	Projected FY 2018	Projected FY 2019	Projected FY 2020	Projected FY 2021	Projected FY 2022
DEBT SERVICE COVERAGE									
Total Operating Revenues	\$15,900,282	\$ 16,741,651	\$ 19,750,485	\$ 19,238,816	\$ 20,378,375	\$ 22,310,306	\$ 24,930,246	\$ 28,331,699	\$ 30,605,128
Total Operating Expenses	16,076,989	15,530,857	18,587,824	19,708,613	20,416,352	21,737,608	24,644,769	26,780,736	29,099,970
Total Other Sources/Uses	36,405	(16,000)	(26,234)	103,894	-	-	-	-	-
Net Income Available for CSFP Lease Payment	(140,302)	1,194,794	1,136,427	(365,903)	(37,977)	572,698	285,477	1,550,963	1,505,158
Add Back Capital Outlay	1,426,695	-	-	-	-	-	-	-	-
Add Back Depreciation	-	-	-	-	487,017	377,042	372,258	380,820	350,567
Adjusted Net Income Available for CSFP Lease Pymt.	1,286,393	1,194,794	1,136,427	(365,903)	449,040	949,740	657,735	1,931,783	1,855,725
CSFP Lease Payments	-	-	-	724,740	724,740	724,740	724,740	1,489,823	1,489,823
Free Cash Flow	\$ 1,286,393	\$ 1,194,794	\$ 1,136,427	\$ (1,090,643)	\$ (275,700)	\$ 225,000	\$ (67,005)	\$ 441,960	\$ 365,902
DSC from Adj. Net Income	N/A	N/A	N/A	-50.5%	62.0%	131.0%	90.8%	129.7%	124.6%
DSC from LCFF Sources subject to CSFA Intercept								1680.3%	1823.5%
CSFP Lease Payment/Oper. Revenues	N/A	N/A	N/A	3.8%	3.6%	3.2%	2.9%	5.3%	4.9%
FUNDRAISING									
Fundraising for Operations	\$ 833,332	\$ 1,125,288	\$ 837,617	\$ 824,288	\$ 891,938	\$ 1,152,457	\$ 1,164,057	\$ 1,175,053	\$ 1,194,250
Fundraising/Oper. Revenues	5.2%	6.7%	4.2%	4.3%	4.4%	5.2%	4.7%	4.1%	3.9%
DSC without Fundraising	N/A	N/A	N/A					50.8%	44.4%
% of Fundraising Required for 100% DSC	N/A	N/A	N/A					62.4%	69.4%
LIQUIDITY									
Current Assets	\$ 8,338,442	\$ 8,480,226	\$ 9,872,551	\$ 9,333,099					
Current Liabilities	2,415,424	1,868,701	1,986,466	1,861,493					
Net Working Capital	\$ 5,923,018	\$ 6,611,525	\$ 7,886,085	\$ 7,471,606					
Net Working Capital/Oper. Expenses	36.8%	42.6%	42.4%	37.9%					
Unrestricted Cash & Cash Equivalents	\$ 4,220,016	\$ 5,342,654	\$ 6,912,444	\$ 6,578,907					
Unrest. Cash & CE/Oper. Expenses (Days)	96	126	136	122					
Unrest. Cash & CE/All Expenses (Days)	96	126	136	118					

Benchmark Summary:

- Free Cash Flow/ADA – Not Met: -\$21 avg. (>\$0)
- Free Cash Flow – Met: \$357,459 avg. (>\$0)
- Debt Service Coverage from Adjusted Net Income – Met: 129.7% and 124.6%
- Net Working Capital as Portion of Operating Expenses – Met: 39.9% (>5%)
- Unrestricted Cash & Cash Equivalents as Portion of All Expenses – Met: 119 days (> 90 days)

Strengths, Weaknesses and Mitigants:

- + LPS's DSC from adjusted net income is 129.7% and 124.6% for 2020-21 and 2021-20, the first two years of repayment, respectively.
- + LPS's operating fund balance, as of June 30, 2017, was \$9,322,128 with \$9,079,337 in unrestricted funds.
- + As of June 30, 2017, LPS has \$7,741,606 in net working capital, approximately 38% of operating expenses.

Staff Recommendation: Staff recommends that the California School Finance Authority ("Authority" or "CSFA") Board determine that Leadership Public Schools ("CMO" or "LPS") on behalf of LPS Oakland R & D Campus ("School" or "Oakland") is financially sound for the purposes of Charter School Facilities Program ("Program" or "CSFP") Preliminary/Advance Apportionment. This recommendation, as it relates to Advance Apportionment. This determination as it relates to Preliminary/Advance Apportionment is in place for twelve months and assumes no financial, operational, or legal material findings within this time

period. This recommendation is contingent upon Leadership Public Schools, on behalf of Aspire Berkley Maynard Academy, electing to have its CSFP payments intercepted at the state-level, pursuant to Sections 17199.4 and 17078.57(a)(1)(A) of the Education Code. Staff recommends that the Authority Board direct staff to notify the Office of Public School Construction (“OPSC”) and the State Allocation Board regarding this determination.